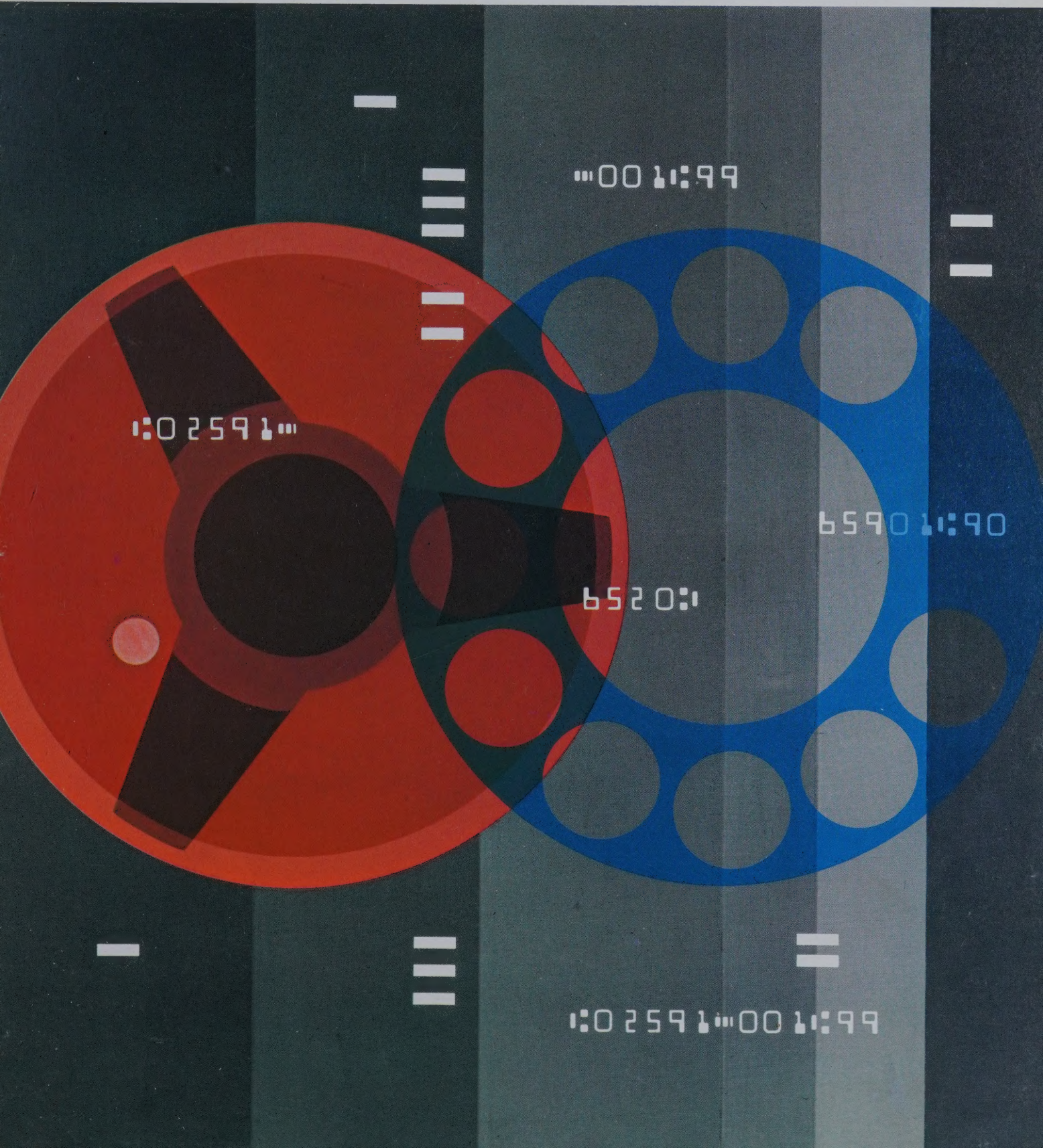


QUÉBEC-TÉLÉPHONE

ANNUAL REPORT 1967

AR37

l'été



ANNUAL REPORT 1967

Si vous préférez un exemplaire du rapport en français, veuillez écrire à : Québec-Téléphone, 6, rue Saint-Jean, Rimouski, Québec.

OFFICERS

Honorable Jules André Brillant,
M.L.C., C.B.E.
Honorary President.

Jacques Brillant,
Chairman of the Board.

Basile Augustin Bénéteau,
President and Chief Executive Officer.

Norman Gendreau,
First Vice President, Executive Vice President — Finance and Treasurer.

Yvon Côté,
Vice President and General Counsel, Secretary.

Joseph Réal Bernier,
Vice President and Controller.

Maurice Martin,
Vice President — Public Relations.

Julien Thuot,
Vice President — Revenue Requirements.

Raymond Sirois,
Vice President — Operations.

Henri Dionne,
Assistant Vice President — Personnel.

John Ronald Tennet,
Assistant Vice President — Engineering.

Jean-Marc Tremblay,
Assistant Secretary.

LISTING OF STOCK

Common stock and 4¼% preferred stock, 1965 Series, are listed on the *Montreal Stock Exchange.*

The 5% preferred stock, 1950, 1951, 1955 and 1956 Series, are listed on the *Canadian Stock Exchange.*

STOCK TRANSFER OFFICES

Common stock and 5% preferred stock of the 1950, 1951, 1955 and 1956 Series : *Administration and Trust Company, 10 St. James Street West, Montreal.*

4¼% preferred stock, 1965 Series : *Administration and Trust Company, 10 St. James Street West, Montreal, and Royal Trust Company, Toronto, Ontario and Winnipeg, Manitoba.*

TRUSTEE FOR BONDS

Administration and Trust Company, 10 St. James Street West, Montreal.

BANKERS

National Canadian Bank
Bank of Montreal
Provincial Bank of Canada

SUBSIDIARY

The Bonaventure and Gaspé Telephone Company, Limited,
New Carlisle,
Bonaventure County, P.Q.

BOARD OF DIRECTORS

Honorary President
Honorable Jules André Brillant,
M.L.C., C.B.E.*
Rimouski

Chairman of the Board
Jacques Brillant*
Montreal.

President and Chief Executive Officer
Basile Augustin Bénéteau**
Rimouski.

Vice Presidents

Joseph Réal Bernier*
Rimouski.

Norman Gendreau*
Rimouski.

Maurice Martin*
Rimouski.

James J. Clerkin, Jr.,
Executive Vice President — Telephone Operations,
General Telephone & Electronics Corporation
New York.

Aristide Cousineau
President, René T. Leclerc Inc.,
Montreal.

John J. Douglas
Executive Vice President — Finance,
General Telephone & Electronics Corporation
New York.

Claude Pratte
Advocate
Quebec.

Henry Arthur Sewell
Vice-Chairman of the Board,
Quebec North Shore Paper Company
Thorold, Ontario.

Honorary Director
Paul-Émile Gagnon, Q.C.
Senior Member, Gagnon, Gagnon & Lepage
Rimouski.

**President of the Executive Committee.
*Member of the Executive Committee.

TO THE SHAREHOLDERS:

Your Directors appreciate the interest shown by shareholders who are present at the Annual General Meetings and participate in the discussions of the Company's affairs. This year the meeting will be held on Monday, March 11, at 2:30 p.m., at the Company's head office, 6 St-Jean Street, Rimouski, P.Q., and all shareholders who find it possible to attend are urged to do so.

QUÉBEC-TÉLÉPHONE

Head Office :
6 Saint-Jean Street, Rimouski, Que.

REPORT IN BRIEF

Financial Results

	1967	1966	Increase or (Decrease)
Total revenues	\$ 20,732,778	\$17,714,909	\$ 3,017,869
Total operating expenses and fixed charges	\$ 15,412,924	\$13,132,789	\$ 2,280,135
Income taxes	\$ 2,720,645	\$ 2,350,190	\$ 370,455
Net income	\$ 2,599,209	\$ 2,231,930	\$ 367,279
Dividends paid to preferred shareholders	\$ 514,963	\$ 521,727	\$ (6,764)
Earnings available for common shares	\$ 2,084,246	\$ 1,710,203	\$ 374,043
Per average common share	\$ 1.197	\$ 1.125	\$.072
Dividends paid per common share	\$.70	\$ 0.70	—
Average number of common shares outstanding	1,741,034	1,519,792	221,242
Dividends paid to common shareholders	\$ 1,218,807	\$ 1,085,618	\$ 133,189
Dividend pay-out ratio	66.7%	72.0%	(5.3%)
Number of preferred and common shareholders	3,303	3,523	(220)

Telephone Plant

Total plant investment	\$100,720,537	\$86,614,281	\$14,106,256
Construction expenditures	\$ 15,876,864	\$14,650,882	\$ 1,225,982
Telephones in service	126,426	119,278	7,148
Per cent dial operated	82.1	73.1	9.0
Number of central offices	139	134	5
Number of long-distance calls	11,367,198	10,312,595	10.2%

Personnel

Number of employees	1,587	1,699	(112)
Salaries and wages	\$ 8,035,694	\$ 6,953,628	\$ 1,082,066

REPORT OF THE DIRECTORS

To the shareholders:

We are pleased to report that 1967 was characterized by progress in all major areas of Company operations, and by the establishment of firm foundations for further advances in future years. New highs were again recorded in the number of telephones in service, long-distance calls, and in the value of plant investment. Operating revenues continued to show important gains, and net earnings showed an increase of 16.5 per cent over the previous year, in spite of substantial increases in wages, depreciation, and taxes coupled with a sharp rise in interest rates.

Net income and dividends

Net income for 1967 totaled \$2,599,209, as compared with \$2,231,930 last year, an increase of 16.5 per cent. Dividends on preferred shares totaled \$514,963; dividends on common shares continued at the rate of 70 cents per share for a total of \$1,218,807. The remaining \$865,439 was retained in the business.

Earnings per share

Net income per average common share increased from \$1.125 in 1966 to \$1.197 in 1967, although the average-number-of-shares base on which per-share earnings are computed rose by 16.6 per cent due to an issue of 248,241 common shares during November 1966.

Operating revenues and expenses

Due mainly to an increase in local service rates, a substantial gain in telephones, a rise in long-distance messages, and extensive sales efforts, total operating revenues for the year were \$20,500,349, or 16.7 per cent over 1966. Revenues from local and long-distance services increased by 23.3 and 12.1 per cent respectively. An analysis of gross revenues,

showing the respective percentages of increase over 1966, follows:

	1967	1966	% increase
Local service	\$ 7,864,269	\$ 6,376,875	23.3
Toll service	12,335,861	11,003,323	12.1
Miscellaneous	367,195	246,840	48.8
	20,567,325	17,627,038	16.7
Less: Uncollectible operating revenues	66,976	57,710	16.1
	<u>\$20,500,349</u>	<u>\$17,569,328</u>	<u>16.7</u>

Total operating expenses, including depreciation and taxes, amounted to \$15,485,929, an increase of 16.1 per cent over the previous year. Total payroll rose by 15.6 per cent. This is principally due to the substantial wage increases and fringe benefits resulting from the labour agreements negotiated during the year and in 1966 with our craft workers, telephone operators, and office personnel. The higher wage and salary levels were reflected in plant maintenance, traffic, commercial, general and administrative expenses.

Depreciation expense rose by 18.4 per cent as total value of depreciable property was increased.

Taxes paid to Federal, Provincial and Municipal governments totaled \$3,471,110. Taxes account for 16.7 per cent of total operating revenues and equate to an average \$1.99 per share of common stock, or \$28.25 per average telephone in service. This tax bill does not include sales taxes on equipment, supplies and services purchased by the Company, or collected from its customers, nor taxes deducted, at the Company's expense, from employees' wages and salaries.

Interest expense for the year was \$2,647,640, an increase of 23.5 per cent over the previous year; this includes interest on the \$5,000,000 First Mortgage Bond issue delivered on January 5, 1967 and on short term bank loans.

1967 construction program

During 1967, service requirements increased at an accelerated pace. As a result, 7,148 telephones were added,



An electronic computer is used at the Head Office to increase productivity and improve customer service.



Québec-Téléphone, a member of the Telephone Association of Canada, is proud of its participation in the success of the Telephone Pavilion at Expo '67.



CBC's International News Service filming the transmitter station of a VERB (Visual Electronic Remote Blackboard) system, the largest of its kind in Canada, installed at Rimouski for the Commission Scolaire Régionale du Bas St-Laurent.

REPORT OF THE DIRECTORS

bringing the system total to an all-time high of 126,426, of which 82.1 per cent are dial operated. Long-distance messages exceeded forecasts, and our customers completed 11,367,198 calls, an increase of 10.2 per cent over 1966 calling volumes.

In order to keep pace with demands for services and increased marketing activities, the Company, throughout the year, spent \$15,876,864 to expand, improve, and replace facilities. This is the largest capital-spending program ever undertaken by the Company. At year end, after deducting the cost of facilities removed from service during the year, net additions were \$14,106,256, bringing the total investment in telephone plant to \$100,720,537.

These expenditures for modern equipment will permit the Company to continue to provide new and improved communication services to its subscribers and generate increased revenues in future years, thus contributing to the overall success in the years ahead.

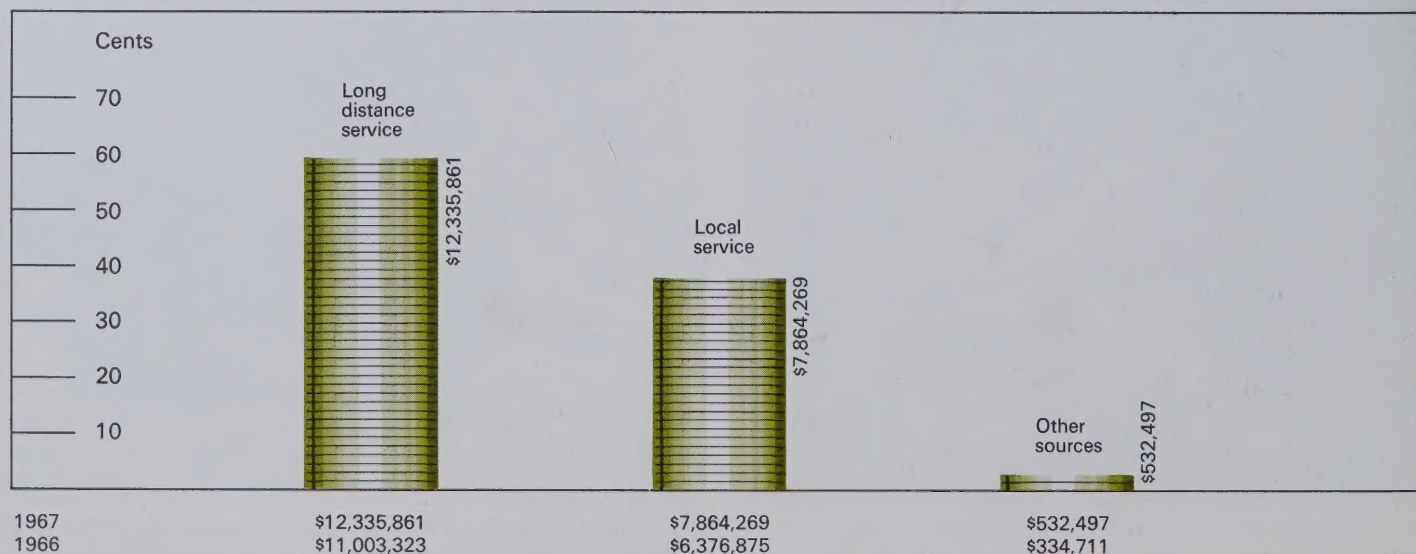
Direct Distance Dialing highlighted the 1967 construction program; this new service is now available to subscribers in

Rimouski and 18 tributary exchanges serving over 37.5 per cent of the Company's subscribers.

Other main items of the 1967 construction program include the conversion of 19 manual central offices to dial operation and the construction of 17 buildings to house central office equipment. A two-year development program was initiated in the Lower North Shore region and provides for the establishment of 9 exchanges, one of which was placed in operation in 1967. Toll service for these exchanges will be provided over a microwave system between Sept-Iles and Blanc-Sablon, a distance of approximately 450 miles. The total length of microwave facilities owned by the Company at the end of 1967 was 921 miles. This figure will increase to 1,562 miles when the 1968 construction program has been completed.

In keeping with the increasing trend in the community of interest between neighbouring exchanges, the Company has, for several years, been implementing a policy of providing larger "free-calling areas". This program was continued in 1967, and by year end, subscribers in 57

THE REVENUE DOLLAR



exchanges could call one or more neighbouring exchanges without a long-distance charge.

Marketing

Sales of new or additional business services set a new record in 1967. Our marketing efforts resulted in an annual billing increase of approximately \$590,000, a gain of 23 per cent over 1966.

Goals were established in the Commercial and Plant departments; contests among business office representatives and installer-repairmen have stimulated sales campaigns. During the fourth quarter, the Company registered a 100 per cent gain in the sale of residential extension telephones, as compared with the accomplishments of the corresponding period in 1966.

Working with the Department of Education of the Province of Quebec, the Company has installed VERB (Visual Electronic Remote Blackboard) systems at three locations in its territory. The system located in the eastern division is the

largest of its kind in Canada; its coverage extends over 367 miles.

Centrex service, which provides the business extension user with direct communications for outgoing and incoming calls and other advanced features, was installed for the Canadian International Paper Company at Matane, and for the Hôpital St-Joseph in Rimouski.

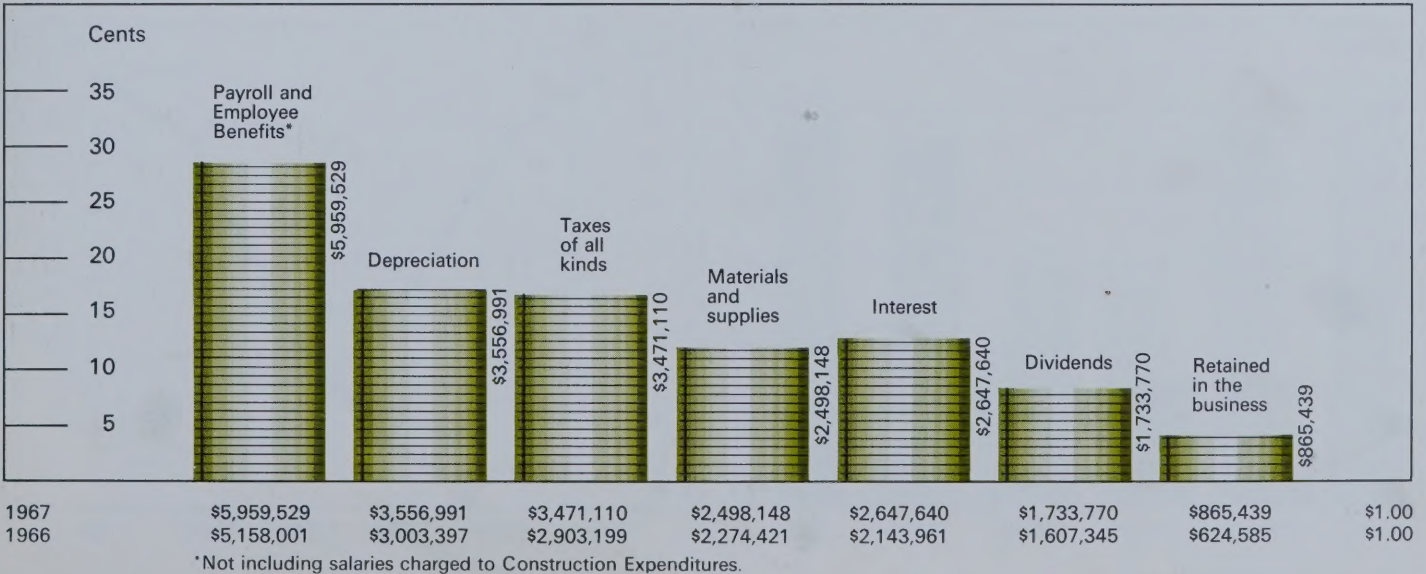
During the year, mobile radio telephone service was offered and installed at numerous municipal police and fire departments, thus enabling municipalities to benefit from faster and more effective means of communications.

Financing

Demand and short term notes outstanding at December 31, 1966 were repaid in part from the proceeds of the \$5,000,000 First Mortgage Bond issue delivered on January 5, 1967.

No public financing was undertaken in 1967. Capital funds required for interim financing of 1967 construction expenditures and to retire \$1,695,000 principal amount of

AND ITS DISPOSITION



REPORT OF THE DIRECTORS

First Mortgage Bonds due August 1, 1967 were provided from internal sources and from bank loans. Such loans were reduced in part during January 1968 from the proceeds of a loan from the Anglo-Canadian Telephone Company. The Company has negotiated bank lines of credit adequate to provide for its capital requirements for 1968. These loans will be repaid when additional capital is obtained from long term financing.

Data processing

During the year, the Data Processing function, programming and machine operation, was reorganized as a separate department. A "third generation" electronic computer is now used for long distance messages and customer billing, payroll and other specific applications in order to obtain more adequate and accurate data.

Through the intensive use of data processing techniques, the Company seeks to increase productivity and improve customer service.

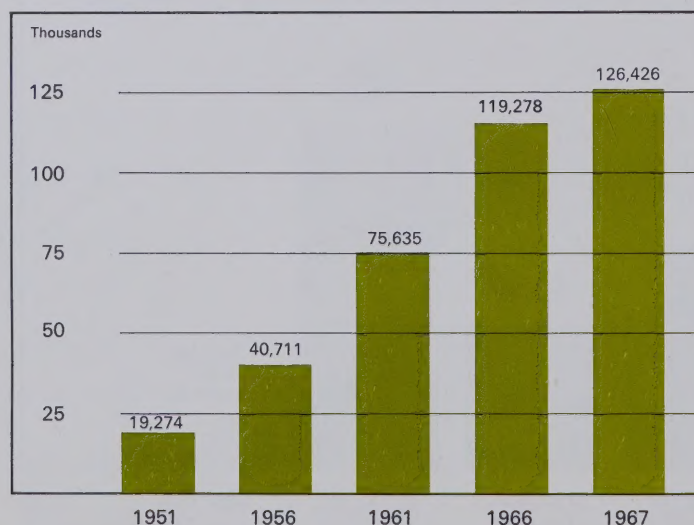
Personnel

At the end of the year, the number of employees on the payroll totaled 1,587 as compared with 1,699 a year ago. Wages and salaries paid amounted to \$8,035,694, an increase of \$1,082,066 over 1966. This also reflects the changing nature of our work force due to technological changes.

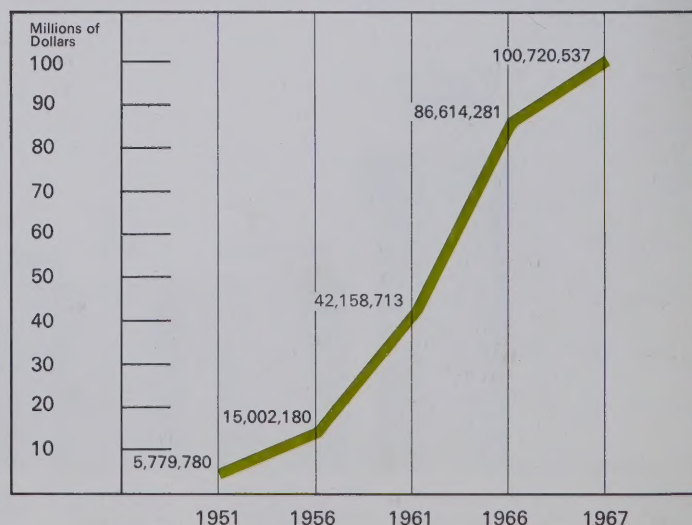
On April 14, 1967, a labour agreement between the Company and its 550 telephone operators represented by the International Brotherhood of Electrical Workers became effective. Less than six months later, on September 28, the same Union representing the 350 office employees and technicians ratified the terms of another first labour agreement. These two contracts, for a two-year duration, provide for substantial wage increases and various changes in labour conditions.

We feel it is worth mentioning that the 17 officers and department heads have an average age of 42 years and an aggregate of 281 years of service with the Company. The middle management group comprises capable young

NUMBER OF TELEPHONES IN SERVICE



PLANT INVESTMENT



men and women being trained to assume greater responsibilities.

Public relations

To maintain a closer liaison between the Company, its employees and their families, a monthly bulletin is now being mailed to the home of each employee.

With the objective of keeping the Company's subscribers adequately informed, background information and progress reports concerning the Company's activities are released regularly to the various news media of the territory served.

The participation of our personnel in local community affairs has been greatly amplified in 1967. This, coupled with the Company's participation in the very successful Telephone Pavilion at Expo '67, has enhanced our prestige in the eyes of the general public.

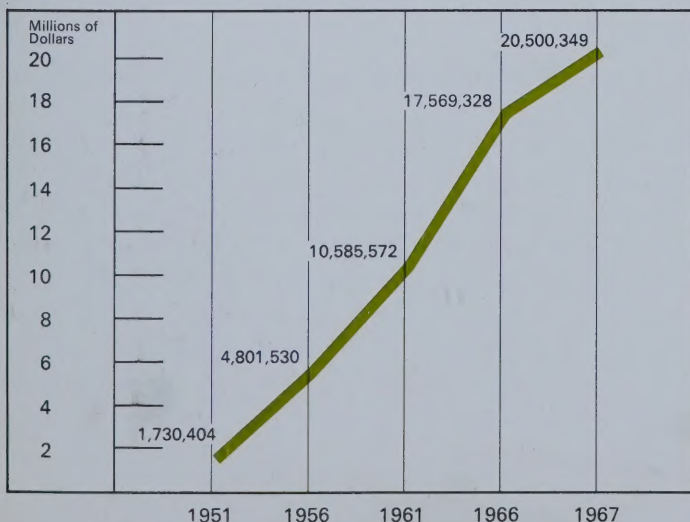
Board of directors

Over 40 years of distinguished service to the Company came to a close on April 10, 1967 when Mr. P. E. Gagnon, Q.C., became an Honorary Director. Mr. Gagnon also served as Secretary of the Company during 36 years. Mr. Aristide Cousineau, a prominent businessman of Montreal, has been elected Director to succeed Mr. Gagnon.

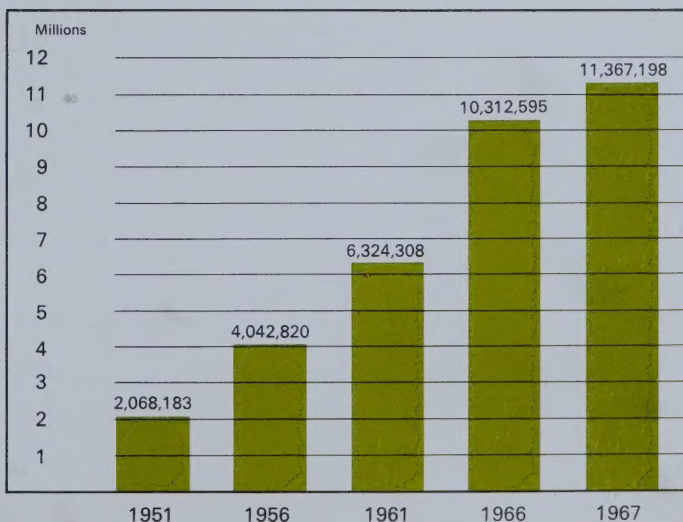
Administrative changes

At a meeting of the Board of Directors held on October 31, 1967, the Honorable Jules A. Brillant, M.L.C., C.B.E., founder-president of Québec-Téléphone, who had expressed his desire to vacate the chairmanship of the Board, was appointed Honorary President and continues to serve as a director and member of the Executive committee. The President of the Company, Jacques Brillant, was elected Chairman of the Board and to succeed him, B. A. Bénéteau, who has been associated with the Company in various

TOTAL OPERATING REVENUES



LONG DISTANCE CALLS



REPORT OF THE DIRECTORS

capacities for twenty years, was elected President and Chief Executive Officer. Raymond Sirois was appointed Vice President — Operations. Earlier during the year, Henri Dionne had been promoted Assistant Vice President — Personnel.

Economic development

The expansion of the economy of the area served during the past decade is largely due to the development of natural resources, especially in the fields of hydro-electric power, mining and forestry.

Some of the industries exploiting natural resources in our territory are featured on the overleaf of the cover of this report.

The expansion of the economy also results from the growth of population especially in the areas where communities were formed around new industrial developments.

Financial statements

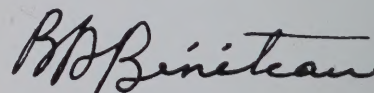
The Balance Sheet, related statements of Earnings, Retained Earnings and Source and Application of Funds for the year 1967, submitted in comparative form with last year, appear on pages 10 through 16. The statements have been examined by the shareholders' auditors, whose report is also reproduced on page 9.

Conclusion

Our outlook for the future is in keeping with the substantial construction program of \$13.5 millions scheduled for 1968. Telecommunications play a more important and increasingly broad role in modern society; we are thus confident that the economy of our service area will continue to move forward with corresponding demands for our services.

We appreciate and commend the loyalty, efficiency and initiative of the employees. Their spirit and cooperation enabled the Company to fulfill its responsibilities to its shareholders and to the public; their dedication to service augurs well for the future of Québec-Téléphone.

For the Board of Directors,



President.

February 26, 1968.

QUÉBEC-TÉLÉPHONE

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 1967

Auditors' report to the shareholders

We have examined the consolidated balance sheet of Québec-Téléphone and subsidiary as at December 31, 1967 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the consolidated financial position of the companies as at

December 31, 1967 and the consolidated results of their operations and source and use of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the matters referred to in notes 6 and 7, in which we concur.

McDonald, Currie & Co.

Chartered Accountants

*Samson, Bélair, Côté, Lacroix
et Associés*

Chartered Accountants

January 26, 1968

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For The Year Ended December 31, 1967

	1967 \$	1966 \$
Balance At Beginning Of Year	6,437,762	5,813,177
Net income for the year after dividends	<u>865,439</u>	<u>624,585</u>
	7,303,201	6,437,762
United States exchange adjustment (note 7)	<u>306,154</u>	<u>—</u>
Balance At End Of Year	<u>6,997,047</u>	<u>6,437,762</u>

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

For The Year Ended December 31, 1967

	1967 \$	1966 \$
Source Of Funds		
Net income for the year	2,599,209	2,231,930
Add: Non-cash charges to income for depreciation, amortization and provision for deferred income taxes	<u>4,943,338</u>	<u>3,974,677</u>
	7,542,547	6,206,607
Deduct: Interest charged to construction	<u>124,486</u>	<u>118,962</u>
	7,418,061	6,087,645
Proceeds from issue and sale of common shares (note 2)	2,229	3,910,655
Proceeds from sale of first mortgage bonds	4,900,000	—
Increase in deferred income taxes of prior year	88,549	—
Decrease in working capital	<u>7,936,457</u>	<u>6,704,794</u>
	<u>20,345,296</u>	<u>16,703,094</u>
Use Of Funds		
Gross plant additions and acquisitions	16,998,484	15,426,477
Less: Value of re-used plant less cost of removal	997,134	656,633
Interest charged to construction	<u>124,486</u>	<u>118,962</u>
	<u>1,121,620</u>	<u>775,595</u>
	15,876,864	14,650,882
Redemption of bonds	2,281,938	210,500
Redemption of 5% preferred shares	162,200	142,760
Dividends	1,733,770	1,607,345
Net increase in deferred charges and credits	30,232	73,061
Increase in special refundable income tax	<u>260,292</u>	<u>18,546</u>
	<u>20,345,296</u>	<u>16,703,094</u>

CONSOLIDATED STATEMENT OF EARNINGS

For The Year Ended December 31, 1967

	1967 \$	1966 \$
Operating Revenues		
Local service	7,864,269	6,376,875
Toll service	12,335,861	11,003,323
Miscellaneous	367,195	246,840
	<u>20,567,325</u>	<u>17,627,038</u>
Less: Uncollectible operating revenues	66,976	57,710
	<u>20,500,349</u>	<u>17,569,328</u>
Operating Expenses		
Maintenance	2,790,252	2,383,475
Depreciation	3,556,991	3,003,397
Traffic	2,482,434	2,119,838
Commercial	1,182,573	1,035,081
General and administrative	2,002,569	1,894,028
Provincial, municipal and other taxes	750,465	553,009
Provision for current income taxes	1,383,563	1,420,436
Provision for deferred income taxes	1,337,082	929,754
	<u>15,485,929</u>	<u>13,339,018</u>
Net Operating Income	5,014,420	4,230,310
Other income	232,429	145,581
	<u>5,246,849</u>	<u>4,375,891</u>
Interest And Other Deductions		
Interest on long term debt	2,070,563	1,761,883
Other interest	498,635	334,672
Amortization of discount, premium and other expenses on long term debt	78,442	47,406
	<u>2,647,640</u>	<u>2,143,961</u>
Net Income For The Year	<u>2,599,209</u>	<u>2,231,930</u>
Dividends		
Preferred shares	514,963	521,727
Common shares	1,218,807	1,085,618
	<u>1,733,770</u>	<u>1,607,345</u>
Net Income For The Year After Dividends		
transferred to retained earnings	<u>865,439</u>	<u>624,585</u>

CONSOLIDATED BALANCE SHEET

as at December 31, 1967

Assets	1967 \$	1966 \$
Telephone Plant — at cost (note 1)	100,720,537	86,614,281
Less : Accumulated depreciation	<u>15,555,943</u>	<u>13,894,046</u>
	<u>85,164,594</u>	<u>72,720,235</u>
Current Assets		
Cash	636,911	641,782
Subscribers' and other accounts receivable	3,072,690	2,239,112
Sinking fund deposits	4,327	1,939
Materials and supplies — at cost	1,481,161	1,137,659
Prepaid expenses	<u>121,371</u>	<u>195,606</u>
	<u>5,316,460</u>	<u>4,216,098</u>
Other Assets		
Unamortized discount, premium and expense on long term debt	619,936	569,201
Deferred charges	255,448	181,879
Special refundable income tax and accrued interest	<u>278,838</u>	<u>18,546</u>
	<u>1,154,222</u>	<u>769,626</u>
Signed On Behalf Of The Board		
B. A. Bénétiau, Director.		
Norman Gendreau, Director.	<u>91,635,276</u>	<u>77,705,959</u>

Shareholders' Equity and Liabilities	1967 \$	1966 \$
Shareholders' Equity		
Common Shares Issued And Outstanding (note 2)	10,757,690	10,755,461
Retained Earnings	<u>6,997,047</u>	<u>6,437,762</u>
	<u>17,754,737</u>	<u>17,193,223</u>
Preferred Shares Issued And Outstanding (note 2)	<u>10,628,200</u>	<u>10,790,400</u>
Total Shareholders' Equity	<u>28,382,937</u>	<u>27,983,623</u>
Liabilities		
Long Term Debt (note 3)	<u>34,738,216</u>	<u>31,714,000</u>
Current Liabilities		
(exclusive of \$2,540,500 bonds maturing May 1, 1968)		
Bank loans	16,200,000	4,643,000
Accounts payable	1,637,565	808,312
Demand notes	—	3,500,000
Dividends	432,543	434,061
Accrued bond interest	462,426	318,439
Income taxes	295,525	379,530
Other accrued liabilities	173,424	115,394
Advance billing and payments	<u>239,353</u>	<u>205,281</u>
	<u>19,440,836</u>	<u>10,404,017</u>
Deferred Credits		
Income taxes	8,968,910	7,543,279
Other deferred credits	<u>104,377</u>	<u>61,040</u>
	<u>9,073,287</u>	<u>7,604,319</u>
	<u>91,635,276</u>	<u>77,705,959</u>

TEN YEARS OF PROGRESS

Selected Income Items	1967	1966	1965
Operating Revenues	\$ 20,500,349	\$17,569,328	\$16,164,763
Operating Expenses	8,457,828	7,432,422	6,573,109
Depreciation	3,556,991	3,003,397	2,706,440
Operating Taxes	750,465	553,009	448,793
Income Taxes	2,720,645	2,350,190	2,497,543
Miscellaneous Income (net)	232,429	145,581	46,558
Fixed Charges	2,647,640	2,143,961	1,700,029
Net Income	2,599,209	2,231,930	2,285,407
Preferred Dividend Appropriations	514,963	521,727	500,014
Net Income Available for Common Shares	2,084,246	1,710,203	1,785,393
Common Dividend Appropriations	1,218,807	1,085,618	1,031,355
Retained Earnings	865,439	624,585	754,038

Selected Financial Statistics

Long Term Debt	\$ 34,738,216	\$31,714,000	\$31,924,500
Per Cent Total Capitalization	55.0%	53.1%	57.5%
Preferred Shares	\$ 10,628,200	\$10,790,400	\$10,933,160
Per Cent Total Capitalization	16.8%	18.1%	19.7%
Common Shares and Surplus	\$ 17,754,737	\$17,193,223	\$12,657,983
Per Cent Total Capitalization	28.2%	28.8%	22.8%
Times Bond Interest Earned Before Depreciation	5.6	5.5	6.0
Times Bond Interest Earned After Depreciation	3.8	3.8	4.3
*Average Number of Common Shares	1,741,034	1,519,792	1,475,310
Earnings per Average Number of Common Shares	\$ 1.197	\$ 1.125	\$ 1.210
Per cent Retained Earnings to Net Income	33.3%	28.0%	33.0%
Per cent Net Income to Operating Revenues	12.7%	12.7%	14.1%

Other Statistics

Number of Employees (year end)	1,587	1,699	1,580
Company Owned Telephones	126,426	119,278	108,791
Business	35,935	34,085	31,048
Residence	90,491	85,193	77,743
Per cent Dial	82.1%	73.1%	71.3%
Investment per Telephone	\$ 796.68	\$ 726.15	\$ 666.92
Telephone Plant	\$100,720,537	\$86,614,281	\$72,555,016
Accumulated Depreciation	\$ 15,555,943	\$13,894,046	\$11,601,228
Per cent Depreciation to Telephone Plant	15.4%	16.0%	16.0%
Central Offices	139	134	133
Monthly Average of Toll Messages	947,266	859,383	798,929

*Allowing for Split in Common Shares, 2 for 1 in 1964.

1964	1963	1962	1961	1960	1959	1958
\$14,788,648	\$13,424,764	\$12,328,717	\$10,447,224	\$ 9,195,515	\$ 7,938,610	\$ 6,407,833
5,992,889	5,402,867	4,960,833	4,377,533	3,554,085	3,554,042	3,009,147
2,412,309	2,182,381	1,815,477	1,483,374	1,262,378	1,063,890	848,161
406,612	360,439	292,311	248,021	183,749	161,432	134,785
2,322,912	2,175,257	2,018,031	1,839,580	1,568,309	1,324,693	906,831
116,582	258,706	206,075	138,348	84,929	16,534	52,193
1,589,920	1,491,233	1,147,613	968,080	734,574	526,024	530,316
2,180,588	2,071,293	1,888,377	1,668,984	1,572,349	1,325,063	1,030,786
421,820	431,104	439,310	418,425	288,350	295,597	219,105
1,758,768	1,640,189	1,449,067	1,250,559	1,283,999	1,029,466	811,681
1,218,674	858,825	799,032	739,326	625,171	590,871	522,574
540,094	781,364	650,035	511,233	658,828	438,595	289,107
\$27,473,500	\$27,903,000	\$23,265,500	\$17,544,000	\$17,789,000	\$12,966,500	\$10,062,000
58.9%	59.8%	56.2%	50.9%	57.2%	50.5%	44.8%
\$ 7,875,920	\$ 8,071,500	\$ 8,238,300	\$ 8,357,120	\$ 5,510,260	\$ 5,639,280	\$ 5,741,520
16.9%	17.3%	19.9%	24.3%	17.7%	21.9%	25.6%
\$11,287,628	\$10,677,106	\$ 9,898,077	\$ 8,554,775	\$ 7,826,990	\$ 7,096,018	\$ 6,642,618
24.2%	22.9%	23.9%	24.8%	25.1%	27.6%	29.6%
5.6	5.5	6.2	6.4	7.3	8.4	6.5
4.0	4.0	4.6	4.8	5.5	6.3	4.8
1,433,736	1,431,488	1,391,412	1,342,816	1,316,765	1,313,050	1,194,584
\$ 1.227	\$ 1.146	\$ 1.041	\$ 0.931	\$ 0.975	\$ 0.784	\$ 0.679
24.8%	37.7%	34.4%	30.6%	41.9%	33.1%	28.0%
14.7%	15.4%	15.3%	16.0%	17.1%	16.7%	16.1%
1,598	1,461	1,406	1,276	1,171	1,055	1,106
99,168	90,825	83,229	75,635	67,420	58,582	52,043
28,463	26,450	24,694	22,713	20,937	19,393	17,907
70,705	64,375	58,535	52,922	46,483	39,189	34,136
66.7%	64.9%	61.6%	57.3%	56.0%	47.7%	44.7%
\$ 641.54	\$ 620.89	\$ 582.29	\$ 557.40	\$ 531.34	\$ 509.02	\$ 497.67
\$63,620,412	\$56,392,526	\$48,463,675	\$42,158,713	\$35,822,796	\$29,819,166	\$25,900,298
\$ 9,841,856	\$ 8,508,948	\$ 6,812,225	\$ 5,597,855	\$ 4,896,090	\$ 4,230,297	\$ 3,555,037
15.5%	15.1%	14.1%	13.3%	13.7%	14.2%	13.7%
130	125	127	123	121	118	118
731,371	643,997	574,708	527,034	478,210	417,269	394,402

For The Year Ended December 31, 1967

This consists of land, buildings, switching and microwave equipment, poles, wire, cable, underground conduit, telephone apparatus, motor vehicles, office furniture, other equipment and construction in progress.

a) Common

Authorized

5,000,000 common shares without nominal or par value

Issued and outstanding 1,741,067 common shares

111 common shares at \$20.08 per share were issued during the year pursuant to the Employees' Stock Option Plan. The Plan was discontinued as at October 31, 1967 and at the year end no common shares are reserved for this purpose.

b) Preferred

Authorized

1,196,166 preferred shares of a par value of \$20 each

Issued and outstanding

5% cumulative sinking fund redeemable preferred shares

1950 series

1951 series

1955 series

1956 series

4¾% cumulative redeemable preferred shares

1965 series

8,110 5% preferred shares were redeemed during the year through the applicable sinking fund.

Details of long term debt are as follows:

As collateral security for a bank loan negotiated to redeem First Mortgage Bonds Series "B" and "C", the company has pledged First Mortgage Bonds Series "K".

Under the provisions of the trust deeds securing the first mortgage bonds and general mortgage bonds of Québec-Téléphone, additional first mortgage bonds and general mortgage bonds may be issued from time to time in unlimited amounts, provided compliance is made with certain restrictive conditions of the respective trust deeds.

4. Guarantee Of Employees' Mortgage Loans

To assist its employees in the acquisition of dwellings, the company has guaranteed loans secured by hypothec on employees' dwellings for an amount of \$39,438.

5. Sinking Funds

Sinking fund payments required in 1968 in respect of preferred shares and long term debt amount to \$135,059 and \$218,288 respectively.

6. Revenue

During the year, the company changed its method of accounting for traffic revenue from connected companies to conform with the practice followed by telephone companies, with the result that net income in respect of the year 1967, after provision for income taxes, is \$125,626 greater than it would otherwise be.

7. Exchange Conversion

Effective 1967, the first Mortgage Bonds Series "D" and "F" payable in United States dollars were converted to the Canadian equivalent of United States dollars.

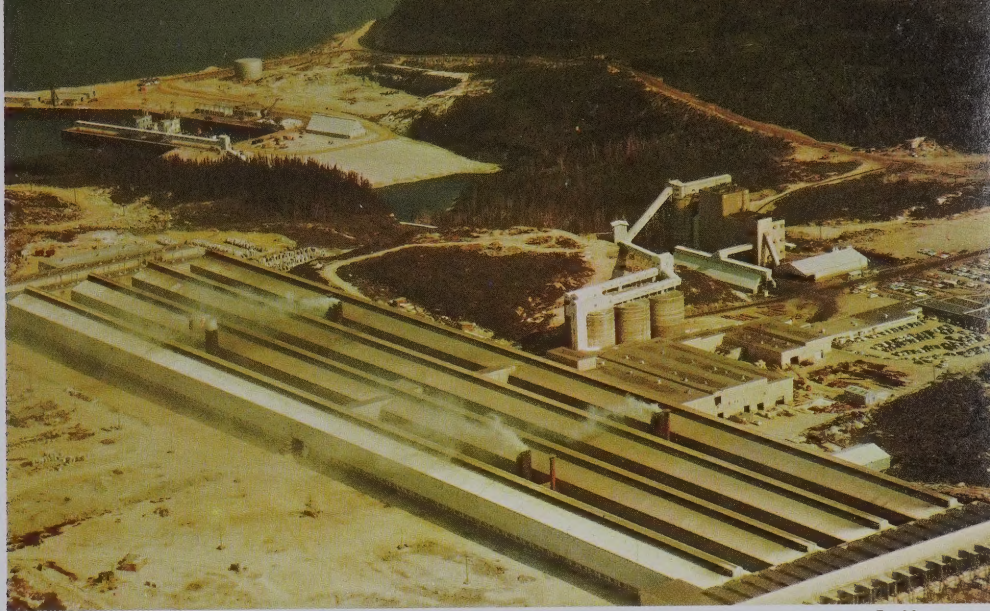
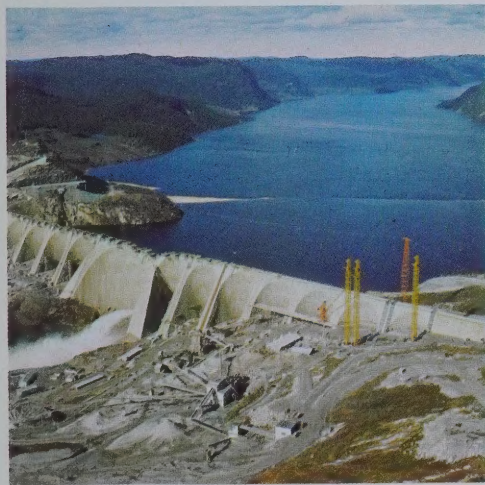
TERRITORY SERVED BY QUÉBEC-TÉLÉPHONE

The green portion of the map shows the area of the Province of Quebec served by the Company and its subsidiary, The Bonaventure and Gaspé Telephone Company, Limited.

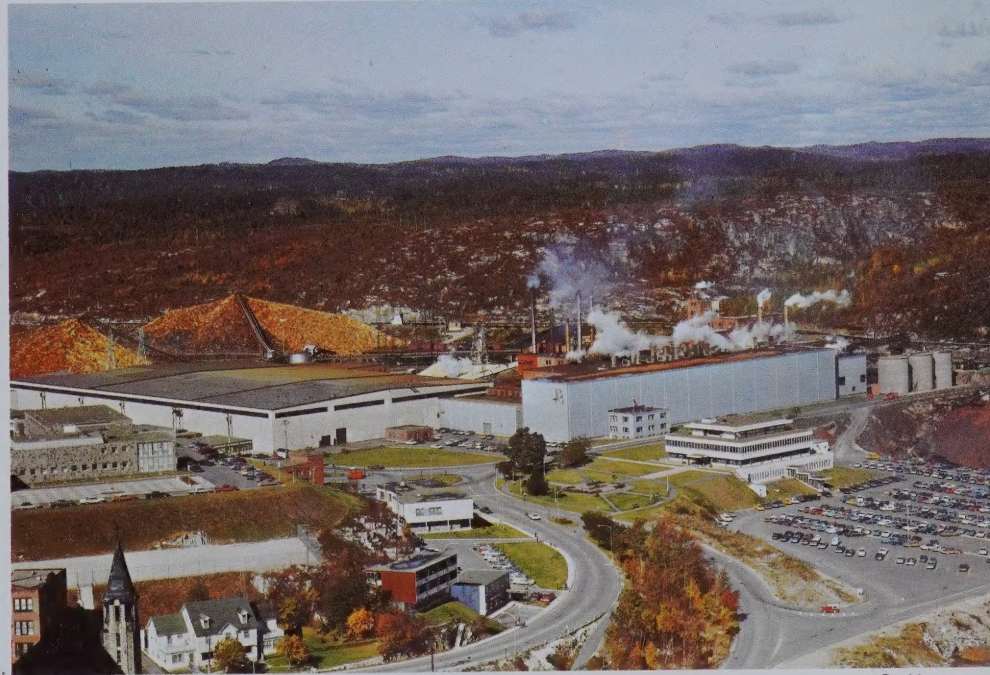
Québec-Téléphone presently operates 139 telephone exchanges, serving 334 municipalities in an area with a population of over 525,000 inhabitants.

The microwave network shown on this map will reach 1562.1 miles when the 1968 construction program will be completed.



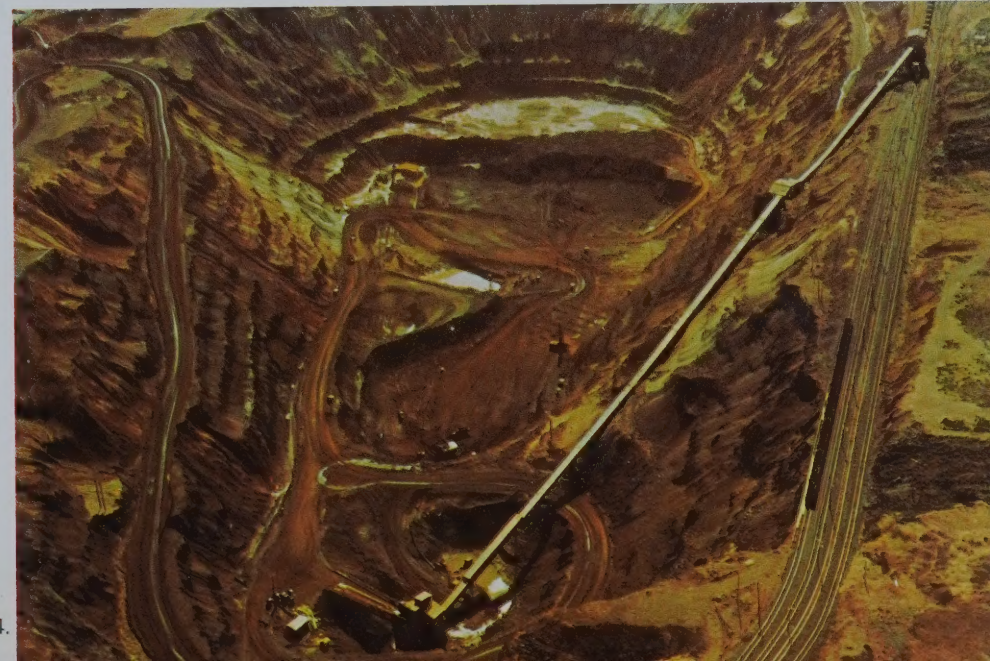


G. Hunter



G. Hunter

1. Hydro-Québec :
Manic 5 dam
2. Canadian British
Aluminium Company Limited :
Baie Comeau plant
3. Quebec North Shore
Paper Company :
Baie Comeau paper mill
4. Iron Ore Company of Canada :
open pit mine, Schefferville





QUEBEC'S LARGEST INDEPENDENT TELEPHONE SYSTEM